

**Little Hoover Commission Testimony
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Dee Hardison, Mayor of the City of Torrance

I am Dee Hardison, Mayor of the City of Torrance for the past 8 years. Torrance is the 6th largest city in LA County with a population of 137,000. The City prides itself on being a balanced city – having industrial, commercial and residential development.

I am also a founding member of the South Bay Cities Councils of Government and have chaired the Community Housing and Economic Development Committee (CEHD) of the Southern California Associations of Government (SCAG) for the past 1 ½ years. SCAG consists of 188 cities in the coastal counties of Ventura, Los Angeles and Orange and the inland valley counties of San Bernardino, Riverside and Imperial. The CEHD Committee held the city and county appeal hearings for the 2001 Regional Housing Needs Assessment (RHNA) process.

In the fall of 1997, I was a member of the Cares Facilities Task Force created under SCR which studied the Group Home issue.

Population and job growth exceed the capacity of the building industry and land entitlement process to supply enough housing to meet new and pent up demand. This has lead to housing cost inflation, limited home choices geographically, encouraged illegal additions/garage conversions, promoted unit overcrowding/infrastructure stress on neighborhoods, created vacancy shortages throughout the urban area of the region, contributed to severe traffic and bus congestion for commuters, and increased labor and wage costs. All of this has occurred despite a historically low interest rate environment that should be improving both housing affordability and production.

So what are the obstacles from the local government perspective to getting affordable housing built.

First of all land supply for residential development is very low in relation to demand in many of the coastal cities of the SCAG region. In many situations cities are built out which results in a very high cost for the remaining land.

Private development housing costs are so high that market rate prices and rents in newly built homes are targeted only to the 10% or so of the highest income households. Even units built at a lower cost are bid up into higher cost categories within a few years because demand is so great in relation to supply in most areas. Typically non-profit builders with tax credit or debit allocation subsidy and local government support build most of the new affordable housing.

Brownfield clean up costs and environmental health problems restrict recycling industrial and commercial properties to residential use.

Impact fees on new development are high. In part, this is intended to make up for service and infrastructure deficiencies. Local government has to provide for the additional schools, adequate water supply, increased street capacity, and so forth when new housing is built.

Cities are legally constrained on what they can require of the developers in order to produce affordable housing or charge in fees to offset the cost of this housing.

Cities have limited revenue sources and it is next to impossible to raise taxes to obtain funds to address affordable housing needs and costs. Local governments with redevelopment projects do have the 20% set aside funds.

State fiscal policy favors existing homeowners over newcomers due to Prop 13 impacts on assessment values. State tax and fiscal policy act as a disincentive to housing production by creating a bias among many financially strapped communities toward sales tax generating land uses. In addition the State returns very little property tax revenue back to local governments.

There are also many legal constraints to building affordable housing. Current laws allow citizens to pass ballot initiatives, referenda and recalls to prevent growth and housing projects. The California Environmental Quality Act has changed so now every project is subject to a relatively inexpensive and often successful legal challenge by anyone who opposes a project. If a city does not support a project because of community opposition, the city may be sued by the developer. Cities end up spending limited resources to defend the litigation. Developers are also not willing to pursue housing projects because of the time and uncertainty of the litigation process.

Construction defect liability insurance costs have also contributed to a reduction in the development of affordable multifamily housing.

Homeowner resistance to new, higher density development or sprawl type subdivisions is high due to perceived threats to existing property values, traffic gridlock and parking problems, crime and safety issues and infrastructure and school enrollment impacts.

So how does Sacramento and the local governments solve the issues of building more affordable housing. Although California's current economic situation has dramatically changed the dynamic in which Sacramento treats the issues of housing and local governments, the recent past has yielded significant strides in

the right direction. Certain Sacramento policy makers, most of which formerly served as local elected officials have a keen understanding of the obstacles, challenges and complexities that local governments face when attempting to get housing, especially affordable housing built. The last two legislative sessions for example, were witness to some of the most revolutionary housing concepts and programs to ever come out of Sacramento.

These discussions ranged from solving the state's jobs/housing imbalance to returning ERAF to local governments. One proposal for example, sought to balance the gap between jobs and housing by providing a return of state property tax revenue to local jurisdictions that develop housing in high-growth urban and older suburban job centers where there is insufficient housing for the workforce. While another proposal related to increasing density bonuses to developments within a short distance of public transit. Although the momentum on these proposals seemed unstoppable a year ago, the state's fiscal status has essentially blocked discussions on all incentive based legislative initiatives.

In fact, as an example, last week cities were informed by HCD that the 2001-2002 Jobs Housing Balance Incentive Grant Program for \$59.6 million is no longer available to cities and counties as the Governor has proposed these funds be transferred to the General Fund.

There are certainly things that local governments can do to help solve the affordable housing deficit. Inclusionary zoning, density bonuses and zoning flexibility could be used to promote more targeted development. Cities need to re-think allowable units per acre and identify underutilized sites that can be redeveloped with new housing, especially along planned rail lines. Housing should be designed to fit into existing neighborhoods.

Residents need to be educated about community issues and needs as part of the process for making choices about the future.

A recent study was done by Loyola Marymount College as a part of our SCAG State of the Region Report. In that study issues were ranked within communities by the residents. Respondents felt the local community was more likely headed in the right direction as compared with either Southern California or the United States. Respondents ranked "increasing the supply of housing" after "improving education, improving air quality, improving public safety, building new schools and improving job opportunities:.. Most residents do not see increasing housing as a community priority. Respondents did go on to say it is very difficult or somewhat difficult to find a home in their community. These same respondents were pessimistic that the dream of home ownership will be within the next generation's reach.

The State also needs to step forward and take an active leading role in solving the issue of housing, especially affordable housing.

Reform of the State of California Housing Element and Regional Housing Assessment (RHNA) process is needed. Currently the law dictates a process that is “top down”. The State must be willing to work with local governments to first of all allow COGs to use their most recent regionally derived transportation forecast as the basis for housing need determinations. This did not happen in the last RHNA process in the SCAG region.

The State should be required to demonstrate consistency among statewide plans and policies. Consistency should be shown among issues including, but not limited to endangered species and habitat planning, water planning and other infrastructure issues, and provision of adequate school facilities.

Trade and transfer provisions should be allowable and streamlined. Local governments should be encouraged to work regionally with funds through the COG to build more housing. This is extremely important as cities developed historically as part of a larger subregion with some cities becoming the job base while other were mainly the residential base (bedroom community). Regional solutions would recognize these historical development patterns as opposed to statewide legislative mandates aimed at local government. Other methods of meeting local housing needs should be explored. These include rehabilitation, conversion and creation of accessory units.

The State needs to create new funds and augment existing programs to incentive housing planning and production. This could involve tying existing housing funds from the State to the housing needs determination process and to create new sources of financing to reward pro-housing local policies.

More efficient leveraging of state and federal housing subsidies are needed to compliment redevelopment and other local housing resources or trust funds. State bond measures are needed to promote a higher per capita expenditure on housing needs.

Tax policy needs to change. At the state level it needs amending so that housing at least pays its cost (revenue neutrality). This might be done through a State to local shift of the property tax for qualifying projects.

Federal tax policy could contribute to more housing investment if the State took the lead in having the federal tax code re-written to allow faster write-offs in depreciated properties and eliminating depreciation recapture tax on capital gains resulting from depreciable property. The low income tax credit has been a big boost to affordable rental housing development.

There is a definite connection between housing and transportation in the SCAG region as more affordable housing is available in the inland counties but the jobs are in the coastal counties. The worker has to decide to possibly live in substandard housing in the coastal counties or commute to the inland counties for affordable housing. Legislative incentives that promote housing near existing transit or rail lines should be encouraged. Existing local government's transportation revenue should not be used as a penalty for lack of housing production.

The State needs to establish additional legal protections to local agencies that approve affordable housing and that establish local pro-active affordable housing policies.

A local government coalition made up of the League of California Cities, the California State Association of Counties, the California Association of Councils of Governments, and the American Planning Association have been part of a Working Housing Group under the leadership of Assembly Members Alan Lowenthal, Chair of the Assembly Housing Committee and Patricia Wiggins, Chair of the Assembly Local Government Committee. This committee which also includes local housing advocates, legislative representatives and state housing officials have been in discussion since late Spring of 2001 to develop meaningful reform alternatives instead of punitive housing legislation. I believe this is the right solution to affordable housing production.